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UNCLAS HARARE 002410

SIPDIS

STATE FOR AF/S
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER
USDOC FOR 2037 DIEMOND
TREASURY FOR OREN WYCHE-SHAW
PASS USTR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON

1E. O. 12958: N/A

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SUBJECT: Emigrants Fuel Housing Construction

11. Summary: Zimbabwean living abroad and Export Processing Zones (EPZs) are keeping the country's building sector afloat. Only they can afford mounting costs. End summary.

12. An unpublished study reveals that Zimbabweans abroad are funding two-thirds of residential building, according to Construction Industry of Zimbabwe CEO Martin Chingaira. In Harare, their share of residential construction is even higher. Chingaira claims only Zimbabweans earning foreign exchange can afford hyperinflationary increases in building materials. The price of 50-kgs of cement has risen from Z\$575 to 21,000 since February. Due to the near-collapse of the National Railway of Zimbabwe, trucks now transport most heavy materials, causing prices to outpace inflation. Most builders now require upfront payment for all materials within 24 hours of estimate.

13. Chingaira believes the only other aggressive building has taken place in EPZs, as export-minded firms hope to take advantage of Zimbabwe's low cost structure. (Note: The GOZ recently threatened to rescind EPZ privileges.)

Comment

14. The study underscores a point we have hammered on frequently: Zimbabwe is becoming a two-class society of those with and without access to forex. Even working-class Zimbabweans abroad are building future abodes in Harare's best neighborhoods. Others are building more modest houses for themselves and their relatives. Of course, the forex-starved GOZ is aware of and hoping to tax these inflows - easier said than done.

Sullivan